A Response

to the Minister's Discussion Paper

on

Public Sector Pensions

Local Authorities Pension Plan

Alberta
Local Authorities Pension
Plan Board
September 30, 1991

Alberta
GOVERNMENT PENSION BOARDS

1203, Legislature Annex, 9718 - 107 Street, Edmonton, Alberta, Canada T5K 1E4 403/427-7105 Fax 403/427-1621

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September 30, 1991

The Honourable Dick Johnston
Provincial Treasurer &
Minister Responsible for
Public Sector Pensions
224 Legislature Building
EDMONTON, Alberta
T5K 2B6

Sir:

Subject: Response to the Proposed Plan Changes

I have the honour, on behalf of the Local Authorities Pension Plan Board to submit our initial response to your July 9, 1991 proposal "Planning Responsibly for the Future - A Discussion Paper on Public Sector Pensions" as it relates to the Local Authorities Pension Plan.

The conclusions reached by the Board incorporate input received from the constituent members of the plan.

Yours truly,

J. E. Faries, FCIS
Chairman

Encl.

TABLE OF CONTENTS

	Page
Preface	1
Members of the Board	3
Executive Summary	4
History of the Plan	6
The Minister's Proposal	8
Funding	10
Federal Income Tax Rules	13
Portability	14
Other Changes	16
Governance	17
Recommendations	19

PREFACE

A Discussion Paper on Public Sector Pensions entitled Planning Responsibly for the Future - Local Authorities Pension Plan (LAPP) was presented by the Minister responsible for Public Sector Pensions, The Honourable Dick Johnston, Provincial Treasurer on July 9, 1991.

The meeting included members of the five Pension Boards involved in the Public Sector Pension system:

1. *The Local Authorities Pension Plan Board,*
2. *The Public Service Pension Plan Board,*
3. *The Special Forces Pension Plan Board,*
4. *The Universities Academic Pension Plan Board, and*
5. *The Public Service Management Pension Plan Board.*

In addition to the Board members, representatives of employee, employer and other interested groups were invited to the meeting.

The Minister stated that stakeholders and interested parties would be afforded an opportunity to present their views on the topic of Public Sector Pension Reform. He advised that the Boards would be the avenue by which he expected the responses to be considered. The LAPP Board, comprised of employee, employer and government representatives were asked to respond to the proposal by September 30, 1991.

We as a Board were pleased to accept the challenge issued to us by the Minister. Time was of the essence and members of the Board sacrificed both personal and professional time to ensure that they obtained sufficient information and views of our constituents to provide a clear response to the Minister. This initial response is presented in the hope that further "face to face" discussions will follow, permitting the Board to ensure that their position is completely understood and appreciated.

Further dialogue is necessary because:

1) *For a mutually agreeable solution to be found the issue of governance must be resolved through ongoing discussions with the Minister.*

2) *Lack of sufficient information. Treasury was able to provide adequate information to assess the specific proposal but, there was not enough information to assess alternatives. For example, only after this report was drafted was a separate accounting of the assets released.*

3) *The Board wishes to engage in further discussions regarding the funding of the LAPP on its own merits.*

The focus of this response is future looking and does not dwell upon the past. The essence of the government's proposal is to change the pension deal from a partially funded government sponsored and guaranteed plan to a fully funded shared risk reward plan. It is proposed that this would occur without addressing the overriding question of Governance of the Plan. The Board considers that Governance is the preeminent issue and must be dealt with in a mutually satisfactory manner before any of the recommendations made in this report would be implemented.

In presenting our recommendations which is a consolidation of the views of our constituents, we are confident that given proper consideration, the LAPP will be placed on a sound financial and governance foundation. The willingness of the plan members to bring about an equitable solution must not be underestimated.

MEMBERS OF THE LOCAL AUTHORITIES PENSION PLAN BOARD

J. E. Faries
Chairman

A. F. Collins
Government Representative & Vice Chairman

Employee Representatives

A. G. Bruckner
Alberta Federation of Labour

B. L. Railey
Alberta Association of Registered Nurses

K. Balkwill
Alberta Federation of Labour

Employer Representatives

S. D. Ewart-Johnson
Alberta Healthcare Association

J. Foley
Alberta Urban Municipalities Association

EXECUTIVE SUMMARY

The Board's response is unique in that it reflects the concerns of both employee and employer representatives and its recommendations can be viewed as consensus positions. A number of specific concerns were expressed including:

1) The five plans each have there own unique benefit and funding histories. By dealing with the past service deficit for plans on a uniform basis, cross-subsidization between plans emerges. The plan was sponsored and guaranteed by the Province. Throughout the plan's history, the government has maintained and strengthened its grip on the decision-making process. Asking employees and employers to share in funding the past service unfunded liability is unacceptable.

2) It is important to put in place a mechanism to ensure that future service, deficits or surpluses are dealt as they arise and significant shortfalls are precluded from occurring in the future.

3) The commitment of formally recognizing indexing at 60% of inflation was considered by the majority to be too low. However, the principle of an encoded formula for indexing is supported.

4) A number of plan provisions, such as cancelling reciprocal agreements, eliminating prior service, and the increase in the early retirement factors, are regressive in nature.

5) The pension deal that was originally agreed to and implemented in the past appears to be no longer desirable by government. The government's proposal changes the pension deal from a partially funded provincially guaranteed defined benefit plan to a full self-funding employer/employee defined benefit plan. Imposing the discipline of full self-funding on employees and employers is untenable unless the ability to manage the risk incurred is also provided to them by addressing the issue of governance.

The Board responded to many of the specific proposals regarding current service costs, indexing, the unfunded liability and other benefits. In addition to responding to specific proposed changes, this report also examines the history of the plan. The common thread that binds this response together is governance. A new form of governance must form a part of the solution.

Key recommendations include:

1) The fiscal responsibility for administering the plan should be assigned by the Province to a new board of trustees (Trustees) composed of employee, employer and government representatives. The day-to-day administration of the plan should be separated from departmental control and operated as an independent agency accountable to the Trustees.

2) The unfunded liability attributable to the LAPP should be dealt with separately from other government sponsored plans and must remain the responsibility of the government.

3) Combined employee and employer contributions should be set equal to the annual cost of the pension plan with current service costs based on a method to be set by the Trustees.

4) Indexing should be formally recognized as part of the pension formula and the level of indexing set at 75% of Alberta CPI.

5) A number of plan provisions, such as the ability to buy prior service and reciprocal transfers should be retained, provided they are properly funded.

HISTORY OF THE PLAN

The Local Authorities Pension Plan (LAPP) was introduced in 1962 to provide a consolidated pension plan for "local authorities", including, but not limited to, cities, towns, municipalities, counties, school boards, hospitals and irrigation districts. Prior to the LAPP many smaller local authorities lacked a pension plan or provided money purchase schemes. Under the sponsorship of government the objective of the LAPP was to provide a defined benefit plan similar to the Public Service Pension Plan (PSPP). The LAPP was modelled on the PSPP and was initially administered by the PSP Board. It should be noted that throughout the plan's history, employers have joined and withdrawn from the plan. The two largest employers, the cities of Edmonton and Calgary, joined in 1966 and 1973 respectively. The LAPP is by far the largest plan when measured on both a membership and a financial basis. Further, it currently enjoys a large positive cash flow, due in part to a series of contribution rate increases that began in 1985.

While the benefit structure has been largely unchanged since 1966, when the plan became integrated with the CPP, the funding of the plan has evolved over time. Initially, Employee and employer contributions were paid to the General Revenue Fund (GRF). All benefits were paid from the GRF and were therefore "terminally funded" by the government upon retirement. The plan was considered "secured" because of the perpetual nature of government and the presence of the government guarantee of the benefit. This funding arrangement was considered acceptable by all parties initially involved in the plan. Employees received and the employers provided a benefit for a fixed cost, without the necessity of pre-funding, while the government, in exchange for absorbing the financial risk of the plan, had at its disposal a captive pool of financing at very favourable interest rates.

Rates of contributions were originally set as 5% from both the employee and employer. However, to "pay" for pre-1962 prior service, an additional 1% was assigned to employers. Rates were changed in 1966 to reflect the impact of integration with the CPP to 3.5%/5.0% for employees and 4.5%/6.0% for employers. In 1985 there were a series of phased increases to 1989, raising the rates to the current 4.375%/6.25% for employees and 5.375%/7.25% for employers.

During the 1970's there was a commitment to impose a form of funding discipline on the plan. In setting the contribution rates it was agreed that if the contribution rates would generate a positive cash flow over a pre-determined period into the future (i.e. 30 years) then the contribution rates would be considered to be meeting the "cost" of the plan.

In 1981, the government created a "pension fund" as a division of the GRF. This fund was considered to be a fiscal management device established to help the government to offset the growing liability of the collective pension obligations guaranteed by the Province. The government made an "initial deposit" of $1.1 billion[1]. Mr. Hyndman's announcement suggests a decision on the part of government to pre-fund benefits. The announcement did not make any reference to the need for employees or employers to fund past service. Instead, it suggests that any accumulated deficits would be funded through surpluses in the GRF. Unfortunately, 1981 was the last time a surplus occurred. As a result, no additional money was put into the fund except for net contributions from the five plans.

As noted earlier, the LAPP was initially administered by the PSP Board. In 1973 the Local Authorities Pension Board was established. The LAP Board continued to administer the plan until 1985 when the administrative responsibility was transferred to the Minister. It should be noted that the term "administration" is used in the context of delivering the legislated benefit. Thus, while employers and employees had representation on the Board through 1973 to 1985, the critical decisions associated with the sponsorship of a pension plan (i.e. funding, benefit design, investment management, etc.) was controlled by the government.

From an historical perspective, a number of conclusions can be made. By definition the government is the sponsor of the LAPP and this has been confirmed by the way the plan has been actually run. The government retained control of the decision making reflecting its sponsorship by guaranteeing the benefit and using its discretion to provide periodic adjustments to pensions under payment. A profound change in the plan has been in its funding policy. The funding discipline changed from terminal funding to partial funding and it is now proposed that it be changed to full funding.

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[1] Alberta Hansard, March 28, 1980, p.122.

THE MINISTER'S PROPOSAL

The Minister's proposal has three expressed goals:

1) Secure the financial base,

2) Improve portability of future service benefits,

3) Meet the new Federal Income Tax rules.

Before responding to the proposal it is important to understand the impact and significance of these changes.

Compliance with Federal Income Tax rules is something that is being imposed on the plan. Compliance is necessary to ensure that required employee contributions remain deductible for income tax purposes. It should be noted, that the Federal Income Tax rules set minimums for registration. For example, early retirement factors currently used in the plan are "off-side" relative to the new measures. The minimum allowable is 3% and need only be applied to service after 1992. Compliance with the Federal Income Tax Act will have an impact on benefits provided under the plan, depending how those limits are applied will also have a profound impact on existing benefits.

Improved portability has been a long sought improvement in the benefit design of the plan. A key issue is whether the cancellation of all reciprocal agreements coupled with the application of the 50% rule for future service actually means a net improvement in portability, i.e. vesting is not a condition for a reciprocal transfer, but is for transfer of a "pension entitlement".

The goal to secure the financial base is by far the most important in that it deals with the funding objective of the plan, current service costs, indexing, and liquidating the unfunded liability. This must inevitably must be tied to an agreement on governance of the plans.

To secure the financial base of the plan the government's proposal notes that "true pension security for employees requires that all benefits be fully funded and backed by marketable assets." To achieve this goal the proposal goes on to recommend that:

1) The indexing promise be formally recognized at 60% of inflation for both past and future service.

2) The cost of liquidating the past service unfunded liability of the five plans be equally shared by all participating employees, employers and the government.

3) Future service be paid, as it accrues, by employers and employees within each plan by requiring that contribution rates be adjusted to reflect the "annual pension cost"[2].

It is the Board's view that this represents a fundamental change to the pension deal. No longer will the pension promise be secured by the government guarantee but by the ability of plan assets to generate a sufficient rate of return. Effectively two thirds of the funding risk associated with the past service unfunded liability and all of the funding risk associated with future service will be transferred from the government to employees and employers by imposing the discipline of self-funding.

These proposed changes will transform the plan from a partially funded, government sponsored defined benefit pension plan to a full, self-funded employee and employer shared risk-reward arrangement.

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[2] "Annual pension costs" means the cost required to fund current service benefits and any plan deficiencies over a specified period of time (eg. 15 years).

FUNDING

A number of issues related to funding were raised by the proposal and were addressed by the Board.

1) The Unfunded Liability

2) Current Service Costs

3) Indexing

To some degree these issues are inter-related. However, a clear division can be made between the past and the future.

The Unfunded Liability:

The Minister's proposal asks that employees, employers and the government each contribute 1% of payroll to liquidate the unfunded liability of all the plans over a period that could be as long as 45 years.

It is the view of the Board that the province sponsored and guaranteed the plan, therefore, the past service unfunded liability is the government's responsibility. Under the existing governance of the plan there is no reason or obligation for employees or employers to share in the liquidation of the past service unfunded liability. **The Board recommends that:**

1.1 The government accept the full responsibility for the past service unfunded liability and finance it from the General Revenue Fund.

Further, proposing that employees and employers in the different provincially sponsored plans share in funding a "common" deficit for all five plans may create a cross-subsidization between participants. This is not acceptable to the employees and employers under this plan. Estimates by the Pension Board Office indicate that if the

LAPP's deficit was separated and dealt with on its own, it would require substantially less than the 3% proposed payroll charge. Calculations indicate that half of the proposed surcharge applied to employees and employers in the LAPP would subsidize the funding of deficits in the other plans. **The Board therefore recommends that:**

1.2 The assets of the pension fund should be segregated by plan and be accounted for separately for both past and future service.

Current Service Costs:

To eliminate any liability for future service earned under the plan, the Minister proposes that the contribution rate for employees and employers be adjusted periodically to reflect the annual pension cost. Annual pension cost would include the amortization of any deficit created due to the introduction of a new benefit, to a change in the underlying demographics or to adverse experience related to investment, inflation or wages. In this way the total funding risk for the plan would be transferred to employees and employers.

The consensus view of the Board was that employees and employers are willing to pay for service earned in the future as there is a general acceptance that employees and employers should share that responsibility. Because of the transfer in risk that this entails, the consensus view of the Board is that a new context for governance addressing employee and employer concerns over funding, plan design, investment policy and administration decision making, must be put in place. **The Board recommends that:**

1.3 Employees and employers accept the responsibility for funding future service earned under the plan when a new form of governance acceptable to the parties is implemented.

The proposal calls for no increase in the LAPP's current service contribution rate.

The Board has held the view that the contribution rate increases that were put into effect between 1985 and 1989 were more than sufficient to meet the current service costs of the plan. This has been confirmed by the actuarial analysis commissioned by Treasury[3]. The current contribution rate is at the mid-point between the plan's cost on the unit credit and attained age basis. Whether or not this additional 0.7% cushion is necessary is debatable. Treasury's analysis is also based on a 1.5% productivity

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[3] Wyatt's analysis, May 17, 1991.

assumption (the difference between the assumed growth in wages and inflation). This assumption is far different from experience over the last seven years and "builds-in" a substantial additional cushion. At this point it would appear that the current contribution rate is more than adequate to meet the current service cost of the plan. **The Board recommends that:**

1.4 The on going current service costs be based on a method acceptable to all parties under the new governance arrangement.

Indexing:

The Minister's proposal recommends treating indexing of pensions on a formula rather than ad hoc basis.

Formula indexing is desirable in that plan members can plan their retirement based on a predictable level of inflation protection. Further, in cases of termination or marriage breakdown, the value of the pension asset can be properly determined if indexing is on a formula basis. Therefore, the consensus view of the Board is that indexing should be formally recognized in the pension deal. The majority view was that 60% of CPI was not sufficient and represented a deterioration from what has been received via ad hoc adjustments in the past. The long term expected level of indexing is still considered to be 75% of Alberta CPI[4]. There was a view that 60% could be considered acceptable simply based on affordability. However, the majority view was that although 75% indexing costs more, employees and employers would be willing to pay the difference. **The Board recommends that:**

1.5 Indexing of pensions be formally recognized at 75% of Alberta CPI.

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[4] Wyatt Actuarial Study (1988) uses an assumption that COLAs will continue into the future at 75% of CPI.

FEDERAL INCOME TAX RULES

In terms of the new Federal income tax rules, compliance is necessary to maintain the tax shelter of contributions made to the plan by members. However, as noted earlier, Federal income tax rules provide minimums and allow for the "grand-fathering" of pre-1992 service.

The treatment of early retirement factors has been highlighted by the Board as an example of where the government's proposal goes far beyond the minimums required for compliance.

Under the Minister's proposal, early retirement factors would increase to 5% (phased in over three years) and would apply to all service. This results in a substantial decrease in benefit to all plan members and would endanger the future retirement plans of employees. This is particularly apparent in the case of deferred pensioners, who would receive substantially lower benefit than anticipated, when they elected to receive a deferred pension.

With regards to the application of the 5% reduction factor to past service, it should be noted that in the actuarial analysis released to the Board it was not clear whether this change was adequately reflected in the accrued liability for past service. Discussions with Treasury's actuary suggests that the 5% factor was applied to future service only. This means the accrued liability already incorporates the cost of grand-fathering the old reduction factors. The Board has asked for clarification but, at the time of writing, has not received a formal response from Treasury. **The Board recommends that:**

2.1 Pre-1992 service be grand-fathered using the old early retirement factors.

The Board acknowledges that there is a cost to applying the minimum 3% factor to just future service. Moving to a 5% reduction factor is a dramatic change from the past practices and will have a negative impact on human resource planning of employers. **The Board recommends that:**

2.2 Only service earned after 1992 be reduced using a 3% factor.

PORTABILITY

Portability has been a long standing issue of concern among the LAPP participants. Currently, employees can only withdraw their contributions plus 4% interest if they leave the plan. The alternative is to transfer service through a reciprocal agreement if one exists.

The Minister's proposal provides for the introduction of the "50% rule"[5] for service earned after the date of implementation. As well, a market rate of interest will be calculated on employee contributions after the date of implementation. Reciprocal transfer agreements will be cancelled and transfers between the Alberta family of provincially sponsored pension plans will be allowed but on a basis that "minimizes" their financial impact.

The Board was supportive of the move to improve the termination benefit under the plan. A concern was raised about how the market rate of interest would be applied to contributions by employees. It was felt that it is not appropriate to apply the market rate of interest to only contributions received after 1992. The consensus view of the Board was that accumulated contribution up to 1992 should receive 4% but after 1992 accumulated contributions should receive the market rate.
The Board recommends that:

3.1 The market rate of interest used in calculating termination benefits be applied to accumulated employee contributions after the date of implementation, and

3.2 The 50% rule be implemented immediately for those terminating members who are vested under the plan and wish to have their funds transferred.

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5 See the Employment Pension Plans Act, Section 29.

The Board does not support cancelling of current reciprocal agreements. To enhance the termination benefit for future service only but then to eliminate reciprocal agreements which would apply to all service is contrary to the principle of portability. Existing reciprocal agreements have been criticized because they do not allow the transfers to occur on a fully funded basis. A series of transfers into the plan could have the effect of importing unfunded liability. It has been assumed in the Minister's proposal that the actual cost to the plan over time has been substantial but, this has not been fully documented. If the problem is how the transfers are priced, instead of cancelling the agreements, an effort should be made to modify their costing basis. **The Board recommends that:**

3.3 Reciprocal transfer agreements be continued but the costing of transfers must be "cost-neutral" to the plan.

OTHER CHANGES

The proposal also addresses a number of other changes dealing with benefits and the plan's administration.

The Minister has recommended that all new employers joining the LAPP must enrol all full-time employees and prevent existing employers from adding or withdrawing groups of employees by class after the implementation date.

The Board expressed a concern that this was a needless intervention into the on going relationship between employees and employers in terms of compensation and overall benefit design. **The Board recommends that:**

4.1 Employers be allowed to continue to include and withdraw classes of employees.

An additional concern raised was that when employers added or withdrew classes of employees that it be neutral to the overall funding of the plan. **Therefore the Board recommends that:**

4.2 Inclusion or withdrawal of employees occur on an actuarial or "cost-neutral" basis.

The proposal also calls for the elimination of prior service purchases.

The ability to buy prior service is important to employees who leave and re-enter a particular industry through different employers. By being allowed to buy prior service, the employee has an opportunity to participate in a defined benefit plan and is not by default forced to rely on a money purchase arrangement. The Board recognizes that some restrictions should be applied to time limits and type of qualifying service. However, as long as the prior service is "priced" on an actuarial or "cost-neutral" basis, then whether the service is purchased or not is not consequential to the plan. **The Board recommends that:**

4.3 Purchase of prior service continue to be allowed as pensionable on an actuarially sound or "cost-neutral" basis to the plan.

GOVERNANCE

Changes proposed by the Minister, if enacted, will transform the plan from a partially funded, government sponsored defined benefit pension plan to a full, self-funded employee/employer shared risk-reward arrangement.

This represents a fundamental change to the pension deal. No longer will the pension promise be secured by the government guarantee but by the ability of plan assets to generate a sufficient rate of return. Under the governments's proposal, effectively two thirds of the funding risk associated with the past service unfunded liability and all of the funding risk associated with future service will be transferred from the government to employees and employers by imposing the discipline of self-funding.

These proposed changes have provoked a discussion of governance among employees and employers in terms of:

1) Accountability and participation in decision making to manage their newly acquired risk. In "fixing" the funding, the government has fundamentally altered the incidence of risk within the plan. For service accruing after 1992, adverse investment experience, aging in the underlying plan demographics or a change in plan assumptions will be immediately reflected in higher contribution rates.

   Experience losses (gains) attributable to service prior to 1992 will contract (expand) the effective amortization period and will be reflected in the total contributions made by employees and employers over the amortization period. Despite employees and employers absorbing the funding risk for future service, there is no change in the governance of the plan proposed by the Minister. However, if employees and employers are to adequately manage the risk that they must now absorb, under the proposal, they must be able to measure, assess and effect decisions that impact on their risk.

2) The cost effectiveness of plan design to meet the needs of the participants. Under a discipline of self-funding, the cost effectiveness of benefit design becomes more acute. The basic question of "Within the context of a specific industry, the tax environment and total compensation, are we getting good value for our money?" will be asked

many times. In terms of this proposal, there are a number of benefit changes such as the cost and adequacy of the proposed indexing formula that employees and employers may want to re-assess within the context of a shared risk-reward arrangement.

If the government wants employers and employees to share that fiscal responsibility for current service (and there are indications that they are willing to do so) then that has to be reflected in how the plan is run. It is the view of this Board that if a shared risk-reward arrangement for the future is to be agreed upon, the governance issue must be addressed by the parties to the deal. For the arrangement to have "legitimacy", each party must articulate and accept its responsibilities and acknowledge the financial interests of the other parties. **The Board recommends that:**

5.1 A transitional body be appointed by January 1, 1992 and be empowered to develop the framework and process for a new form of governance for consideration by the parties before May 1, 1992.

5.2 The fiscal responsibility for administering the plan be assigned by the Province to a joint board of trustees composed of employee, employer and government representatives.

5.3 The day-to-day administration of the plan be taken out of direct government departmental control and operated as an independent agency accountable to the Trustees.

This would provide employees and employers with direct participation in plan governance commensurate with the fiscal discipline of self-funding that they are being asked to accept. The role of government should continue as sponsor but that sponsorship would no longer be direct or financial but regulatory in nature.

Finally, the plan currently, and in the proposal put forward by the Minister, is exempt from the EPPA. This produces an impression that the Trustees would not be governed by that legislation. **The Board recommends:**

5.4 That the Plan be made subject to the EPPA when the new form of governance is introduced.

RECOMMENDATIONS

FUNDING:

1.1 The government accept the full responsibility for the past service unfunded liability and finance it from the General Revenue Fund.

1.2 The assets of the pension fund should be segregated by plan and be accounted for separately for both past and future service.

1.3 Employees and employers accept the responsibility for funding future service earned under the plan when a new form of governance acceptable to the parties is implemented.

1.4 The on going current service costs be based on a method acceptable to all parties under the new governance arrangement.

1.5 Indexing of pensions be formally recognized at 75% of Alberta CPI.

FEDERAL INCOME TAX RULES:

2.1 Pre-1992 service be grand-fathered using the old early retirement factors.

2.2 Only service earned after 1992 be reduced using a 3% factor.

PORTABILITY:

3.1 The market rate of interest used in calculating termination benefits be applied to accumulated employee contributions after the date of implementation, and

3.2 The 50% rule be implemented immediately for those terminating members who are vested under the plan and wish to have their funds transferred.

3.3 Reciprocal transfer agreements be continued but the costing of transfers must be "cost-neutral" to the plan.

OTHER CHANGES:

4.1 Employers be allowed to continue to include and withdraw classes of employees.

4.2 Inclusion or withdrawal of employees occur on an actuarial or "cost-neutral" basis.

4.3 Purchase of prior service continue to be allowed as pensionable on an actuarially sound or "cost-neutral" basis to the plan.

GOVERNANCE:

5.1 A transitional body be appointed by January 1, 1992 and be empowered to develop the framework and process for a new form of governance for consideration by the parties before May 1, 1992.

5.2 The fiscal responsibility for administering the plan be assigned by the Province to a joint board of trustees composed of employee, employer and government representatives.

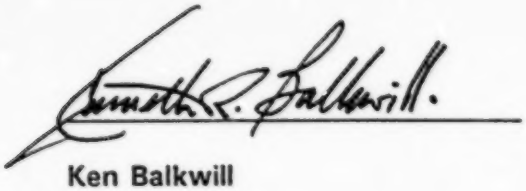
5.3 The day-to-day administration of the plan be taken out of direct government departmental control and operated as an independent agency accountable to the Trustees.

5.4 That the Plan be made subject to the EPPA when the new form of governance is introduced.

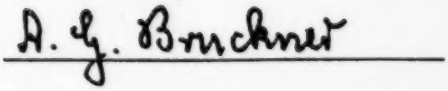
Respectfully submitted

J. E. Faries, Chairman *

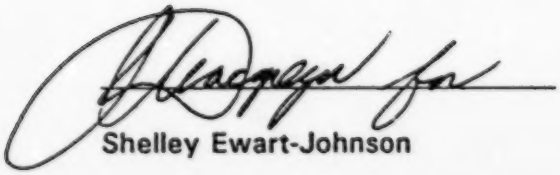
A. F. Collins, Vice - Chairman *



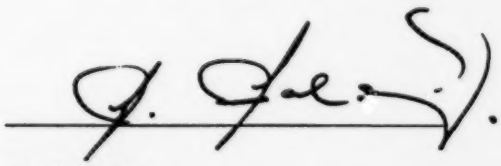
Ken Balkwill



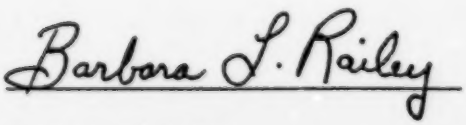
A. Gunter Bruckner



Shelley Ewart-Johnson



Jack Foley



Barbara L. Railey

* As a government representative, Mr. Collins chose not to sign the report because of possible conflict of interest.